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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

VERIZON HAWAII, INC.)

DOCKET NO. 02-0128

For Approval of the Sale of Certain)
Assets to Island Page, Inc.)
_____)

DECISION AND ORDER NO. 20117

Filed April 11, 2003
At 8:00 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

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KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

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DECISION AND ORDER

I.

On May 13, 2002, VERIZON HAWAII, INC. (Verizon Hawaii) filed an application requesting commission approval of the sale of certain existing paging assets to ISLAND PAGE, INC. (Island Page), pursuant to Hawaii Revised Statutes (HRS) § 269-19 and Hawaii Administrative Rules § 6-61-105 (proposed transaction).

Verizon Hawaii served copies of its application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (Consumer Advocate).¹ On February 5, 2003, the Consumer Advocate served information requests upon the Applicants, to which they responded on February 19 and 24, March 4 and 13, 2003. By position statement filed on April 7, 2003, the Consumer Advocate informed the commission that it does

¹Pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62, the Consumer Advocate is an ex officio party to this proceeding. The Consumer Advocate is responsible for representing, protecting and advancing the interests of all consumers in this matter.

not object to the approval of the sale of certain assets of Verizon Hawaii to Island Page, subject to certain conditions.

II.

A.

Verizon Hawaii is a corporation duly organized and existing under and by virtue of the laws of the State of Hawaii (State), and engaged in the provision of varied telecommunications services to its customers and the general public within its chartered territory in the State. Verizon Hawaii is an incumbent local exchange carrier as defined by 47 U.S.C. § 252.

Verizon Hawaii currently provides paging services using the 152.48 Megahertz (MHz), 929.6625 MHz, and 929.7125 MHz frequencies.² Verizon Hawaii states it decided to exit the paging business and sell the associated assets to a regional paging company because it anticipates a decline nationally and in Hawaii in the use of one-way paging services.

The commission granted Island Page, a Hawaii corporation, a certificate of registration by Decision and Order No. 18174, filed on November 2, 2000, in Docket No. 00-0371.

²Verizon Hawaii proposes to sell its 152.48 MHz paging network assets to Island Page. Verizon Hawaii is in the process of negotiating the sale of its 929.6625 MHz and 929.7125 MHz frequency paging assets to another company.

B.

Verizon Hawaii invited three paging companies to submit proposals to acquire certain of its paging assets.³ Verizon Hawaii stated that Island Page's bid was selected because it is financially sound, locally based and has the technical expertise to operate the system, and would be able to provide the best customer service and network outage response.

On December 17, 2001, Verizon Hawaii and Island Page entered into an Asset Purchase Agreement (Agreement) in which Island Page agreed to purchase certain paging assets from Verizon Hawaii for approximately \$571,715, subject to adjustment at closing as set forth in the Agreement.⁴ Verizon Hawaii advises that it will account for any gain or loss resulting from the proposed transaction in a non-regulated account, since its paging operations are currently classified as non-regulated services.

³Verizon Hawaii invited Cook Paging, MessageLink, and Island Page to submit bids for the purchase of its paging assets. Of the three companies invited to bid, only Island Page responded. ComServe, who is represented by the same agent as MessageLink, offered an unsolicited bid. Verizon Hawaii states that ComServe did not qualify because it was not a licensed paging carrier with the Federal Communications Commission.

⁴The \$571,715 purchase price is based on the assumption that a total of 29,242 billed pagers will be transferred to Island Page. The purchase price will be reduced by \$20.00 per billed 152.48 MHz paging customer and \$15.00 per billed 929.6625 MHz or 929.7125 MHz paging customer, if there are fewer than the assumed number of billed customers on the closing date.

III.

A.

HRS § 269-19 requires a public utility to obtain our consent prior to the sale, lease, assignment, mortgage, or other disposition of any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public. Under the proposed transaction, Verizon Hawaii proposes to sell to Island Page the following assets: 20 Motorola transmitters (including antenna, supporting equipment and spares), paging terminal (including spares), FCC Licenses on the 152.48 MHz frequency, and Verizon Hawaii's paging customer base. Although the proposed transaction involves operations that are currently classified as non-regulated, the proposed transaction, as the Consumer Advocate notes, must be reviewed for reasonableness to examine the potential impact on Verizon Hawaii's regulated operations and to address concerns related to market power concentration of the paging business in Hawaii.

B.

After its review, the Consumer Advocate determined that the purchase price appears reasonable and states it does not object to the commission's approval of the proposed transaction.⁵ Furthermore, the Consumer Advocate believes that the impact of

⁵We note, as did the Consumer Advocate in its statement of position, that although ComServe's bid was disqualified, it was comparable in amount to Island Page's winning bid.

the proposed transaction on Verizon Hawaii's regulated operations will be nominal, and should not subject paging subscribers to any adverse affects from market power concentration resulting from the proposed transaction.

In its statement of position, the Consumer Advocate notes its concern that a portion of the gain to be recognized from the proposed transaction should be attributed to Verizon Hawaii's regulated ratepayers since the paging assets were once part of Verizon Hawaii's regulated assets. Accordingly, the Consumer Advocate recommends that Verizon Hawaii provide an accounting, including the calculations used to determine such accounting, of the actual gain realized upon the execution of the transaction, and identify the portion, if any, that should be allocated to regulated ratepayers.⁶ Additionally, the Consumer Advocate recommends that any portion of the gain from the sale of the paging assets that is attributable to regulated ratepayers be amortized over a one-year period.⁷

C.

Based upon our careful review of the record, we find that Island Page's acquisition of Verizon Hawaii's paging assets

⁶We note that the final purchase price is linked to the number of billed paging customers transferred to Island Page and will not be determined until the closing of the proposed transaction.

⁷The commission allowed one-year amortization periods in previous decisions. See, e.g., Decision and Order No. 16647, filed on November 2, 1998, in Docket No. 98-0355 and Decision and Order No. 17522, filed on September 3, 1999, in Docket No. 99-0200.

is reasonable and in the public interest. Accordingly, we conclude that Verizon Hawaii's request for approval of the proposed transaction, as described in the application, should be approved.

We also find good cause to have Verizon Hawaii provide the following information to the commission and the Consumer Advocate within 30 days of the closing of the proposed transaction:

1. An accounting of the actual gain on the sale of the paging assets and
2. The identification of the portion of the gain, if any, that should be allocated to regulated ratepayers and how that portion was determined.

IV.

THE COMMISSION ORDERS:

1. Verizon Hawaii's sale of its paging assets to Island Page, as described in the application filed on May 13, 2002, is approved.

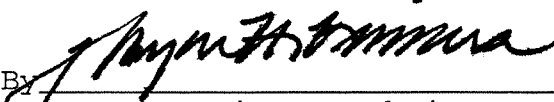
2. Within 30 days of the closing of the proposed transaction, Verizon Hawaii must provide the commission and the Consumer Advocate with the following information:

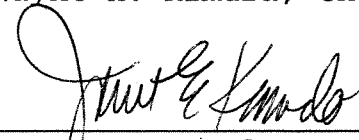
- (A) An accounting of the actual gain on the sale of the paging assets and
- (B) The identification of the portion of the gain, if any, that should be allocated to

regulated ratepayers and how that portion was determined.

DONE at Honolulu, Hawaii this 11th day of April, 2003.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By (RECUSED)
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

02-0128.ah

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20117 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

JOEL MATSUNAGA
VICE PRESIDENT - EXTERNAL AFFAIRS
VERIZON HAWAII INC.
1177 Bishop Street
Honolulu, HI 96813



Karen Higashi

DATED: April 11, 2003